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RM - 7913

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SUMMARY

It would not be in the public interest, at this time for the Commission to embark upon a rulemaking to modify its regulation of COMSAT's multi-year contract services. COMSAT's proposal is premature. COMSAT is today, and will continue well into the foreseeable future, to be the monopoly provider of bottleneck overseas switched-voice satellite facilities. If granted, incentive-regulation would allow COMSAT to capture for itself excess earnings that it could not retain under its current rate base, rate-of-return regulation.

MCI, COMSAT's second largest customer, is, for all intents and purposes, a captive COMSAT customer. This is so because over 55% of MCI's direct correspondents, world-wide, operating digital voice circuits, can only be reached by MCI via COMSAT and the INTELSAT satellite system. 89% of these same direct voice correspondents are currently committed to satellite use with MCI via COMSAT and INTELSAT even though some of these correspondents also have access to fiber optic cable. Moreover, most of these correspondents are themselves signatories (owner/users) to INTELSAT with heavy investments in earth stations, creating a strong preference to remain on INTELSAT satellite transmission facilities. (See Attachment A for a list of countries which can only be reached by MCI for digital voice services via the INTELSAT system, with direct fiber optic cable not available).

COMSAT faces neither effective nor pervasive competition from either fiber optic cables or separate satellite systems. There are no viable alternatives to COMSAT in a majority of the world's countries. Fiber optic cables are just coming on line, and separate satellite systems are very slowly developing as a competitive threat. (See Section III herein).

COMSAT's current multi-year contract tariffed rates are the product of its market power, and have not resulted from a give-and-take bargaining process with its customers. COMSAT's proposal would not result in increased efficiencies, reduced rates and public interest benefits for these services. Under the present rate of return regulatory system COMSAT at least usually initiates some rate reductions as a result of its overearnings. (See Section IV herein).

In sum, COMSAT should remain regulated on a rate-base, rate of return basis. There is no factual support for COMSAT's assertions that it faces effective competition and thus qualifies for incentive based regulation. It would harm competition should COMSAT be allowed the flexibility to derive and maintain excess earnings rather than to reduce its rates to its customers so these reductions can in turn be passed to the carriers' customers. Thus, the Petition should be summarily denied at this time. As competition to COMSAT develops and matures, COMSAT may wish to ask the Commission to revisit this matter.

RECEIVED

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

'APR - 6 1992

Federal Communications Commission
Office of the Secretary

In the Matter of)
)
Petition for Rulemaking to) RM - 7913
Modify the Regulatory Treatment of)
COMSAT World Systems' Multi-Year)
Fixed-Price Carrier-to-Carrier)
Contract-Based Switched-Voice)
Services)

OPPOSITION TO PETITION FOR RULEMAKING

MCI Telecommunications Corporation, Inc. ("MCI"), pursuant to the Commission's March 5, 1992 Public Notice (Report No. 1880), hereby files its Opposition to the Petition for Rulemaking ("Petition") filed by the Communication's Satellite Corporation ("COMSAT") on January 30, 1992. As we show herein, COMSAT's Petition for a rulemaking should be denied at this time.

I. INTRODUCTION AND SUMMARY OF POSITION

A. COMSAT'S Proposal

In its Petition COMSAT argues that as a result of recent market changes, the regulatory approach now applied to certain of COMSAT's INTELSAT services is no longer in the public interest. COMSAT also relies upon the Commission's recent rulings changing the "rate-base, rate-of-return" regulation of AT&T and the local exchange carriers ("LECs") to incentive-type regulation, as evidence that the "old" style of regulation now applied to COMSAT is inefficient, imposes significant unnecessary costs, and impedes COMSAT's ability to serve its customers well. COMSAT

states that it exercises much less market power than either AT&T or the LECs as its operations are subject to pervasive competition from fiber optic cables and separate satellite systems. (Pet. pp. 1-6).

COMSAT seeks the application of a modified "price-cap" regime applied to its multi-year fixed-price carrier-to-carrier contract-based switched-voice INTELSAT services,¹ i.e., its 5, 7, 9, 10 and 15 year FM, IDR and TDMA services provided to AT&T, MCI and Sprint (see generally, COMSAT, Pet. pp. 1-6). Under the proposed scheme COMSAT's rates for multi-year contract services would be capped at January 1, 1992 levels. COMSAT could file tariff revisions on 14 days' notice, whose rates would be prima facie lawful as long as they covered average variable costs (Petition, pp. i, ii). Any party seeking suspension or investigation of a new tariff for multi-year contract services would be required to meet the Commission's difficult "substantial cause" test set forth in its Rules.

Finally, multi-year contract services would remain subject to the Commission's complaint process, but would be excluded from the annual rate-of-return review. COMSAT contends that its proposal, if adopted, would permit it to offer low, levelized rates in the face of "highly cyclical costs", while posing no risk to competitors or to the public.

¹ We will at times in this pleading shorten the description of these services to "multi-year contract services".

B. Summary of MCI's Position

It would not be in the public interest, at this time for the Commission to embark upon a rulemaking to modify its regulation of COMSAT's multi-year contract services. COMSAT's proposal is premature. COMSAT is today, and will continue well into the foreseeable future, to be the monopoly provider of bottleneck overseas switched-voice satellite facilities. If granted, incentive-regulation would allow COMSAT to capture for itself excess earnings that it could not retain under its current rate base, rate-of-return regulation.

MCI, COMSAT's second largest customer, is, for all intents and purposes, a captive COMSAT customer. This is so because over 55% of MCI's direct correspondents, world-wide, operating digital voice circuits, can only be reached by MCI via COMSAT and the INTELSAT satellite system. 89% of these same direct voice correspondents are currently committed to satellite use with MCI via COMSAT and INTELSAT even though some of these correspondents also have access to fiber optic cable. Moreover, most of these correspondents are themselves signatories (owner/users) to INTELSAT with heavy investments in earth stations, creating a strong preference to remain on INTELSAT satellite transmission facilities. (See Attachment A for a list of countries which can only be reached by MCI for digital voice services via the INTELSAT system, with direct fiber optic cable not available).

COMSAT faces neither effective nor pervasive competition from either fiber optic cables or separate satellite systems. There are no viable alternatives to COMSAT in a majority of the world's countries. Fiber optic cables are just coming on line, and separate satellite systems are very slowly developing as a competitive threat. (See Section III herein).

COMSAT's current multi-year contract tariffed rates are the product of its market power, and have not resulted from a give-and-take bargaining process with its customers. COMSAT's proposal would not result in increased efficiencies, reduced rates and public interest benefits for these services. Under the present rate of return regulatory system COMSAT at least usually initiates some rate reductions as a result of its overearnings. (See Section IV herein).

In sum, COMSAT should remain regulated on a rate-base, rate of return basis. There is no factual support for COMSAT's assertions that it faces effective competition and thus qualifies for incentive based regulation. It would harm competition should COMSAT be allowed the flexibility to derive and maintain excess earnings rather than to reduce its rates to its customers so these reductions can in turn be passed to the carriers' customers. Thus, the Petition should be summarily denied at this time. As competition to COMSAT develops and matures, COMSAT may wish to ask the Commission to revisit this matter.

II. MCI'S STAKE IN THIS PROCEEDING

This proceeding is of significant importance to the maintenance of the Commission's pro-competitive policies, and to MCI. MCI is now COMSAT's second largest customer, after AT&T, for the services that are the subject of this proceeding -- multi-year fixed-price carrier-to-carrier contract-based switched-voice services.² The rates that MCI pays for these circuits, which at today's levels MCI believes are excessive, comprise a significant part of MCI's cost of international service, and thus directly affect its competitive posture in the retail market for overseas switched-voice services. Clearly, the possible outcome of this proceeding, reduced regulation for COMSAT in the form of a shift from rate-base regulation to price-cap regulation, as well as the filing of tariffs on 14 days' notice with the presumption of legality, could foreclose or retard the development of effective competition to COMSAT and could have significant negative financial ramifications for MCI, and thus MCI's customers, all to the detriment of the United States users of international services.

² COMSAT claims that the services covered in its Petition for which it seeks incentive-based regulation represent "... only a limited modification of the existing regulatory framework ...". (Pet. p. 4). County Natwest Securities has reported however (Feb. 92 Issue) that "CQ has requested that no profit ceilings be placed on its INTELSAT 'switched' business (85% of CQ's INTELSAT revenues) under long term contract (96% of the switched business". Clearly, this is no "limited modification", but covers approximately 82% of COMSAT's INTELSAT revenues.

III. COMSAT HAS NO EFFECTIVE COMPETITION

In this Section MCI will show that COMSAT's claims, that the predicates underlying the Commission's current rate-base, rate-of-return regulation of COMSAT have been removed (Petition, p. 7), are wrong. Fiber optic cables have not been deployed sufficiently to ensure vigorous competition. Moreover, the elimination of the cable/satellite loading requirement has not harmed COMSAT, and separate satellite systems do not presently impose any competitive threat whatsoever to COMSAT.

A. Fiber Optic Cables are not a Ubiquitous Threat to COMSAT

In Section II of its Petition (pp. 6-9) COMSAT asserts, without much in the way of supporting data, that fiber optic cables now cover all major routes and are expanding rapidly throughout the world thus providing vigorous intermodal competition. As we show below, these claims are overly exaggerated and untrue.

Simply stated, today's fiber optic cables are not presently a serious competitive threat to COMSAT. Cable is regional in nature and does not cover all the "major routes" as COMSAT asserts.³ For example, TCS-1 does go on a route to Columbia,

³ COMSAT fails to define the term "major routes". How is "major" measured? Of course we can all agree that the U.S. to the U.K. is a "major route". And, if one measures the "number" of circuits on a major route, it could be dramatically high. But geography is the issue here as we show. COMSAT could have been more precise. As MCI indicated on page 3 herein, over 55% of MCI's direct voice correspondents can only be reached by MCI via

however, the rest of South America is not serviced by this cable system. There is no access to fiber optic cable facilities throughout Africa, the Middle East (with the exception of Israel and Turkey), Russia, China, Eastern Europe and the Near East, to mention a few areas. When the focus is on "geography", not "major routes" it becomes quite clear that fiber optic cable is not a serious competitive threat to COMSAT. (See Attachment A).⁴

Finally, MCI submits that COMSAT's bottleneck monopoly will continue to flourish. For example, we believe that significant growth in demand for COMSAT's satellite circuits will continue over the next five years especially in the many countries not served by cable today (Latin America and Africa, for example), and even in countries that have only one cable system. Moreover, COMSAT will continue to have little or no effective competition in these geographic areas. Indeed, the President of COMSAT was

COMSAT. Certainly, routes to and from some of these countries can be considered major.

⁴ COMSAT also asserts (Pet. p. 8) that there are 19,530 64 Kb bearer circuits now available on fiber optic cables in the Caribbean and South America, with 45,350 more planned for deployment in 1993. It is MCI's understanding however that with the Puerto Rico TCS-1 cable of 7560 circuits, and the Bermuda PTAT cable of 5670 circuits the total is 13,230 as opposed to 19,530. Additionally, we believe that the 45,350 planned circuits refer to the Taino-Carib cable system which will be operational during 1993 but does not even connect to the United States.

quoted as saying that COMSAT's business will double in 3 or 4 years.⁵

In sum, it is wrong for COMSAT to claim that fiber optic cables now provide vigorous intermodal competition on all major routes.

B. The Elimination of the Cable/Satellite Loading Requirements Did Not Free Carriers to Place all Future Demand on Cables

COMSAT submits that its current mode of regulation was partially based upon the Commission's protective circuit loading policy that assured COMSAT a substantial share of the market for international transmission capacity (Pet. p. 3). With the guidelines' expiration in 1988, COMSAT now asserts that its major customers such as AT&T, MCI and Sprint, "have enormous bargaining power" due to their sunk investment in fiber optic cables (Pet. p. 9).

Contrary to COMSAT's statements, MCI does not have "enormous bargaining power" because of its "sunk investment" in cable systems. MCI has been scrambling for capacity of any kind to keep pace with the formidable and growing demand for its international services. When, as is the case today, MCI's demand for cable facilities exceeds supply, MCI is in no position to "muscle" COMSAT, and COMSAT is fully aware of these facts. This demand/supply situation is expected to last into the foreseeable

⁵ Washington Business Journal, February 17, 1992, p. 12.

future. Thus, there is no support whatsoever for COMSAT's assertions about MCI's "enormous bargaining powers".

Indeed, it is COMSAT that has the enormous pricing power because of its long term carrier-to-carrier contracts for switched-voice services.⁶ AT&T committed its circuits under its long term contract with COMSAT, and MCI had little choice if it wanted to remain cost-competitive with AT&T but to commit a major part of its circuits under a long term contract with COMSAT. Indeed, COMSAT itself notes in its 1990 10K Report (p. 3) that "97 percent of all eligible voice grade circuits are now under long term contracts". With a major portion of both AT&T's circuits and MCI's circuits (and perhaps other carriers') committed to long term contracts, it is simply wrong for COMSAT to argue, as it does, that its major customers have "enormous bargaining power".

C. COMSAT Does Not Face Substantial Competition
From Separate Satellite Systems

COMSAT argues that the existing competition from separate satellite system provider PanAmSat, another expected separate system from Orion, and a third from a new entrant Columbia "... exert significant competitive pressures on CWS". (Pet. p.12). The plain facts are that as of today PanAmSat can only connect up

⁶ Interestingly, the expiration of the Commission's balanced loading requirements dovetailed nicely with AT&T's long term switched-voice circuit commitment to COMSAT. (See, COMSAT's 1989 Annual Report, p.35).

to 100 circuits on its system to the public switched network. (Letter from Thomas J. Murrin and Lawrence S. Eagleburger to Alfred C. Sikes, Dec. 14, 1990). Indeed, in COMSAT's 1990 10K Report (p. 4) it describes switched-voice levels on separate systems as "de minimus". The question of competition from separate satellite systems can be revisited when these systems are free of all restrictions and competition has had the opportunity to develop. Suffice it to say that for now COMSAT does not face substantial competition from separate satellite systems.⁷

In this Section MCI has shown, that contrary to COMSAT's assertions, COMSAT does not have significant or meaningful competition, and none is expected to develop in the immediate future. There is no need whatsoever, at this time, to move away from COMSAT's current regulation.

IV. INCENTIVE-BASED REGULATION FOR COMSAT WILL NOT BENEFIT THE PUBLIC, BUT COULD UNJUSTLY ENRICH COMSAT

COMSAT asserts (Pet. pp. 14-15) that incentive-based regulation of its multi-year carrier switched-voice services will

⁷ We add two additional observations. First, as to competition from private line services, the facts belie COMSAT's claims. INTELSAT statistics show that the growth in IBS circuits has been phenomenal since 1984 (0 to over 10,000 circuits) yet COMSAT's operations have not seemed to be impacted at all from "competition" by separate satellite system providers of IBS. And, second, compare the small quantity of 100 circuits with AT&T's initial commitment to COMSAT in 1987 for 20,000 circuits by the end of 1987. See, Washington Post, October 10, 1987, p. D11).

permit it to enhance efficiency and reduce rates while ensuring that those rates remain just and reasonable. The very opposite is true. The adoption of incentive-based regulation would be ill-conceived, would not be a good substitute for either effective competition or current regulation, and could easily result in unjustly enriching COMSAT at the expense of its carrier customers and the using public. Moreover, the Commission's pro-competitive policies would be harmed.

A. Incentive-Based Regulation for Comsat
Would Not Replicate the Pressures of
a Competitive Market Place

This is not the appropriate time for the Commission to experiment with its regulation of COMSAT whom we have shown does not face effective competition. Incentive-based regulation will not create appropriate incentives and will not lead to increased efficiencies from which all ratepayers will benefit, as COMSAT asserts. (Petition, Sec. III). There is no empirical data to support such assertions. Indeed, the opposite is true. LEC incentive-based regulation has resulted in a drop in the amount of rate decreases for access services provided to IXCs when compared to a comparable period under rate-of-return regulation. In the first year of price caps, LEC access reductions were only about half of the reductions seen under rate of return regulation. In the years 1989 and 1990, access reductions for the industry totaled approximately \$1.1 billion. In 1991, the first year of price caps, the access reduction fell to \$450

million. See Attachment B to this Opposition. The cause of the access reduction can clearly be attributed to the change in regulation. Under rate of return regulation, the Commission ordered significant cuts to LEC excess investments and expenses, and was able to detect and correct understated LEC demand forecasts. Under price cap regulation, LEC budgets and forecasts are no longer factors in evaluating LEC rate levels. Instead, the Commission and intervening parties must accept proposed rates, as long as they are within the price cap indices. This is an especially significant problem if there is no up-front rate decrease before the transition to price caps, since it allows the carriers to capture the excess in their budget forecasts in their initial price cap rates.⁸

Under COMSAT's proposal, only current prices are capped and there is no regulatory mechanism for reducing rates nor any mechanism for capping rate of return, nor any mechanism for sharing excess earnings with ratepayers, as in LEC price caps. In short, COMSAT's incentives and behavior will be unaffected by the type of price cap plan it proposes. The "simplicity" of COMSAT's plan would appear then to be a scheme to evade regulatory scrutiny. COMSAT's incentive-based regulatory

⁸ In fact many new services proposed by the LECs under price caps have been priced substantially above fully distributed cost. For example, see, In the Matter of NYNEX Telephone Companies, Tariff F.C.C. No. 41, Revisions to Tariff F.C.C. No. 1, CC Docket No. 91-226, MCI Opposition to Direct Case, filed October 11, 1991. In this docket NYNEX priced its rates 240 percent above fully distributed costs.

proposal can not act as a substitute for effective competition, will not create appropriate incentives, will not lead to increased efficiencies and reduced rates, and should not be considered a reasonable replacement for the current rate-base, rate-of-return regulation.

B. COMSAT Will Be Able To Retain Excess Earnings

We believe that COMSAT's multi-year contract rates are too high now, and may embody significant cross-subsidies. COMSAT's authorized rate of return appears excessive (12.48%) when compared to the rates of return in effect today for the LECs -- 11.25% -- under price cap regulation. Additionally, COMSAT's productivity, should improve over the near term. Given these considerations, as we next show here and in Section IV, C, this would be precisely the wrong time in the early development of satellite competition to abandon rate of return regulation and hand COMSAT the tools both to delay the introduction of effective competition and to benefit from excess earnings.

COMSAT is positioned well to take unfair advantage of incentive-based regulation. It has the carrier customers under multi-year contracts, and its circuit costs appear to be declining. COMSAT's 1990 Form 10K Report (p. 3) states that more than 97 percent of all eligible voice grade circuits are now under long term contracts. In Exhibit 10 of the same Report COMSAT also indicates that its revenues from AT&T, MCI and Sprint

were substantially derived from the long term contracts. Current satellites in use -- INTELSAT 5's -- have a seven year life and can each handle approximately 15,000 bearer circuits. INTELSAT 6's being deployed now, can handle 24,000 bearer circuits with a 13 year life. Indeed, INTELSAT 7's have a planned life of approximately 15 years. Thus, it would appear that circuit costs are declining. Additionally, the ongoing digitalization of INTELSAT's capacity is providing significant operating efficiencies. Therefore adoption of COMSAT's incentive-based regulatory proposal, coupled with the lack of any effective competition now or in the foreseeable future, would allow COMSAT to retain the profits derived from these efficiencies. Neither outcome is good for the public, for competition, or for MCI.

C. Incentive-Based Regulation As Proposed By COMSAT
Will Encourage Cross-Subsidies

COMSAT argues that its incentive-based regulatory proposal contains safeguards that will protect competitors and the public (Pet. pp. 19-20). Prominent among these safeguards is the assertion that because COMSAT's rates will still be required to cover average variable costs, the plan ensures that customers for other COMSAT services will not bear any costs that should be assigned to multi-year carrier switched-voice services. (Id.).

COMSAT's current monopoly control of bottleneck switched-voice satellite circuits which feeds its ability to cross-subsidize can best be exemplified by examining its various

provisioning schemes. When one examines how COMSAT has succeeded in "locking-in" its "old" customers, while making new, exclusive offerings to its "newer" customers, one can begin to understand COMSAT's control of this marketplace.

For example, older carriers like MCI entered into multi-year term contracts with COMSAT committing considerable "base capacity" to achieve rate levels lower than those available from the month-to-month tariffs. Significant penalties were attached for early termination of these contracts. Having locked-in this capacity, COMSAT then introduced in late 1991, a new additional, multi-year arrangement that again for certain volume commitments, will result in prices considerably lower than those for MCI's existing multi-year contracts. MCI, however, cannot "transfer" its base circuits to the new tariff as the termination liability would exceed the benefits to be gained. However, a new carrier could commit a volume of circuits to COMSAT, at levels lower than MCI's base commitment under the "older" multi-year contracts, and achieve rate levels considerably lower than MCI experiences under its multi-year arrangement. In a competitive marketplace these discriminations would not exist. Carriers would attempt to take their business elsewhere if competitors were able to negotiate a better arrangement than it could negotiate for similar services, with similar terms, at similar or lower volume commitments.

COMSAT, under incentive based regulation would also have even more flexibility to tailor its rates to unduly discriminate

or to beat a competitive threat. New competition would be harmed, and the largest users of satellite capacity would have no leverage in the way of alternate suppliers to keep COMSAT charges in line with its per circuit costs and to avoid undue discriminations. COMSAT's proposal that rates cover average variable costs offers no comfort.⁹ With only 14 days' notice for tariff filings and with presumptive legality of the filing COMSAT can get by with the sketchiest cost presentation, while an opponent of the tariff has a heavy burden to show that the tariff revision is patently illegal on its face. In brief, COMSAT's incentive-based regulatory proposal would encourage, not limit, unreasonable cross-subsidies to the detriment of the public.

V. CONDITIONS SHOULD BE ATTACHED TO ANY ORDER GRANTING COMSAT INCENTIVE-BASED REGULATION

The services proposed by COMSAT for incentive-based regulation -- multi-year fixed-price carrier-to-carrier contract-based switched-voice INTELSAT services -- comprise a significant portion of COMSAT's business subject to Commission regulation. Should the Commission reject MCI's arguments and open an NPRM looking towards granting COMSAT the relief it has requested, we

⁹ The average variable cost standard is virtually useless in identifying or preventing the myriad anticompetitive strategies available to an entity like COMSAT, protected by numerous entry barriers. COMSAT can use a variety of strategies that do not require them to drop prices below average variable cost. See, Jean Tirole, The Theory of Industrial Organization, The MIT Press, 1989.

strongly urge that it consider attaching certain conditions to any ensuing grant of incentive-based regulation for COMSAT.

It is clearly in the public interest, and indeed required by the Communications Act, that COMSAT's rates be just and reasonable and free from undue discriminations at all times. If rates are going to be "capped" at January 1, 1992 levels as COMSAT proposes, the Commission must at a minimum assure itself that those rates are just and reasonable. Clearly, the Commission has a responsibility to the public, to emerging competition in the provision of satellite services, and to its pro-competitive policies to make certain that price cap regulation is launched from a solid foundation. To that end MCI presents its suggestions for conditions as follows:

- Audit COMSAT's books to determine whether it has properly accounted for its jurisdictional business on the one hand, and its non-jurisdictional business (e.g., the Denver Nuggets) on the other hand.
- COMSAT must show, on the record for public comment, that its current rates for each category of its multi-year carrier contracts for switched-voice service are just and reasonable, and free from undue discriminations. (For example, that similar services, over similar terms, have similar rates).
- Once the Commission is satisfied that the jurisdictional/non-jurisdictional accounts are proper, it should require COMSAT to devise a cost allocation system that separates the incentive-based services from the non-incentive based services, or to put

it another way, the rate of return services and the non-rate of return services. COMSAT should present the manual for this system "on the record" for all parties to comment.

- There should be an up-front rate reduction for the services going under incentive-based regulation. The rate reduction should be at a minimum an across the board 20 percent.
- COMSAT must agree to an annual review to determine whether the conditions that the Commission relied upon to grant incentive-based regulation are still viable and reasonable.
- COMSAT must agree that should it directly compete with its carrier customers like MCI, that it will impute to itself, as part of its cost of service for ratemaking purposes, the average cost per circuit it charges its carrier customers.
- COMSAT must agree to "pass through" to its customers a significant portion of any INTELSAT rate reductions, and any significant portion of cost reductions that may result from material technological advances.

MCI submits that the above conditions would be a small price to pay for a grant of incentive-based regulation for COMSAT's services. MCI strongly prefers of course to retain the current regulation of COMSAT albeit at reduced rates and a reduced rate of return, at least until COMSAT can show that it indeed faces effective competition.

VI. CONCLUSION

MCI has demonstrated that it would not be in the public interest at this time to grant COMSAT's Petition for a rulemaking to modify the Commission's regulatory treatment of COMSAT's

multi-year contract service. COMSAT's Petition for a rulemaking should be denied. However, should the Commission grant COMSAT's Petition and proceed to a Notice of Proposed Rulemaking, MCI strongly urges that it carefully consider the conditions we have detailed herein, as necessary to impose upon COMSAT prior to receiving the benefits of incentive based regulation.

Respectfully submitted,

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Its Attorneys

April 6, 1992

THE COUNTRIES LISTED BELOW CAN ONLY BE REACHED BY MCI
FOR DIGITAL VOICE SERVICES (DIRECT FIBER OPTIC
CABLE NOT AVAILABLE) VIA THE INTELSAT SYSTEM

ALBANIA
ALGERIA
AMERICAN SAMOA
ANGOLA
ANGUILLA
ARGENTINA
ARUBA
ASCENSION ISLAND
BAHRAIN
BELIZE
BENIN
BLUTAN
BOLIVIA
BOTSWANA
BRUNEI
BULGARIA
BURKINA FASO
BURUNDI
CAMEROON
CAPE VERDE
CAYMAN ISLANDS
CENTRAL AFRICAN REPUBLIC
CHAD
CHILE
CHINA (PEOPLES REPUBLIC)
COMOROS
CONGO
COOKS ISLANDS
COSTA RICA
CYPRUS
CZECHOSLOVAKIA
DOMINICA
ECUADOR
EL SAVADOR
EQUATORIAL GUINEA
ETHIOPIA
FAEROE ISLANDS
FIJI
FR. GUINEA
FRENCH ANTILLES
FRENCH POLYNESIA
GABON
GAMBIA
GHANA
GREENLAND

GUADELOUPE
GUANTANAMO
GUINEA
GUINEA-BISSAU
GUYANA
HUNGARY
ICELAND
INDIA
IRAN
IRAQ
IVORY COAST
JORDAN
KENYA
KIRIBATI
KUWAIT
LESOTHO
LIBERIA
LIBYA
MACAO
MADAGASCAR
MALAWI
MALDIVES
MALTA
MARIANA ISLANDS
MARSHALL ISLANDS
MAURITANIA
MAURITIUS
MICRONESIA
MONTSEERRAT
MOROCCO
MOZAMBIQUE
NAMIBIA
NAURU
NEPAL
NETHERLANDS ANTILLES
NEVIS
NEW ZEALAND
NEW CALEDONIA
NICARAGUA
NIGER
NIGERIA
OMAN
PAKISTAN
PALAU
PANAMA

THE COUNTRIES LISTED BELOW CAN ONLY BE REACHED BY MCI
FOR DIGITAL VOICE SERVICES (DIRECT FIBER OPTIC
CABLE NOT AVAILABLE) VIA THE INTELSAT SYSTEM

PAPUA NEW GUINEA
PARAGUAY
PERU
POLAND
QATAR
REUNION
ROMANIA
RUSSIA
RWANDA
SAO TOME & PRINCIPE
SEYCHELLES
SIERRA LEONA
SOUTH AFRICA
ST. KITTS
SURINAME
SWAZILAND
SYRIA
TANZANIA
THAILAND
TOGO
TONGA
TUNISIA
TURKS & CAICOS
UGANDA
UNITED ARAB EMIRATES
URUGUAY
WESTERN SAMOA
YUGOSLAVIA
ZAIRE
ZAMBIA
ZIMBABWE